



BANCOHIO CORPORATION

COLUMBUS, OHIO

annual report 1955 .

February 3, 1956

Report to the Shareholders:

The operations of your Corporation and its affiliated banks in 1955 produced \$3,002,669 consolidated net income after provision for taxes, appropriations increasing reserves for loans and exclusive of the proportionate interest in net income (2.2%) attributable to the minority equities in the capital stock of the affiliates. This consolidated net income amounts to \$3.95 a share on the Corporation's outstanding capital stock — the corresponding amount in 1954 was \$3.54 a share. Dividends paid in 1955 were \$1.65 a share compared to \$1.50 in 1954.

In view of the year's increase of \$18,711,000 in the loans of associated banks \$977,600 was added by the banks to their reserves against loans — this amount was charged to current earnings.

During the year certain issues of U. S. Treasury securities were sold and were replaced by other Treasury securities bearing higher yields, in a program designed to partially adjust the banks' investment portfolios to lowered current market values, to provide assurance of increased income for the future and to increase the prospect of ultimate capital gains. The losses on sales required for execution of this program totaling \$564,282 (net of reduction effected in income taxes) were charged to the reserves which were created in 1954 out of profits from sales of U. S. Treasury securities.

Largely as a consequence of these portfolio adjustments the average current yield on U. S. Treasury securities increased from 1.94% to 2.31% in the year and at December 31, 1955, the amortized cost of such securities was \$994,662 less than their redemption value; the average maturity date of the U. S. Treasury securities was five years eight months compared to four years eight months at the end of 1954.

Capital and surplus of BancOhio Corporation at the end of 1955 totaled \$33,444,886 compared to \$31,694,747 at 1954 year end, resulting in a book value of \$44.04 a share as against \$41.74 at the beginning of the year. The increase reflects your Corporation's equity in retained net earnings of its affiliates for the year 1955.

BancOhio's affiliated banks in 1955 generally shared in the expanding productivity and profits of the nation's economy. The increased need and demand for senior capital and operating funds by business and government permitted an enlarged extension of credit and moderately advanced interest rates, so that the investment income to the BancOhio banks from loans and securities increased 14.9%. During the same period operating expenses increased 9.5%. However, the directors wish to point out that growth in population and industrial activity, in many areas served by the BancOhio banks, and intensive competition between financial institutions have combined to require the commitment of greatly increased amounts of capital funds in physical facilities to better serve the public and maintain the prestige of your banks.

During the past six years we have constructed and occupied four new bank buildings, equipped and opened four new offices in leased quarters and in addition have remodeled or re-equipped in varying extent 22 of the existing banking rooms. Within this period the number of accounts gained by 27%, (coupled with a substantial increase in the activity of accounts), requiring an increase of 28% in personnel and at the end of this period net earnings were 81% above the level at the beginning.

This expansion and modernization program entailed expenditures in excess of \$1,500,000 for land and buildings and approximately \$1,950,000 for remodeling and for additions to operating equipment. For 1956 there is already in process a new branch bank office in Columbus, one in Portsmouth and plans for the complete remodeling and an addition to the banking house of the First National Bank of Chillicothe. Expenditures for these projects will approximate \$575,000. And there are many indications that future requirements for capital expenditures will continue to be substantial.

In view of the circumstances herein recited, the directors of your Corporation are convinced that the long term interests of its shareholders and the communities served by the affiliated banks will continue to require the retention of a substantial portion of annual earnings in the banking enterprises. Thus growth in the shareholders' capital equities and expansion of the banks' public responsibilities should proceed apace, with prospect of mutual advantage to each.

As previously stated, loans of the affiliated banks increased \$18,711,000 during 1955, to a total of \$165,628,000 at the year end when ~~banks~~ represented 27.3% of the banks' assets. However, at this date combined resources also include \$374,237,000 of liquid assets represented by \$139,491,000 in cash and due from banks and \$234,746,000 in U. S. Treasury securities—such assets equaled 65.8% of total deposit liabilities. This condition attests to the maintenance of a reservoir of credit for the banks' clients in agriculture, business and industry.

In common with other growing business your banks must exert constant effort in acquiring and developing personnel to meet the exacting standards of progressive financial institutions and the growing complexities of their operation. While these responsibilities are most exacting, in 1955 the banks provided benefits for personnel in the form of hospitalization allowances (providing benefits to 238 members or dependents of the staff) and retirement pay (28 former employees were so paid) and consideration is being given to provisions for further insurances.

Devoted to the affairs of BancOhio and its affiliates is this staff of 1477 persons whose industry and loyalty are committed to the soundness and profit of the shareholders' investment and to the stewardship of some six hundred millions of dollars of property belonging to our customers, the number of whose accounts totaled 434,727 in a computation made in October, 1955. We solicit your full use of the banks' services and your suggestions and help in expanding these enterprises.

We request your attention to the enclosed notice of the annual meeting of the shareholders—please execute the attached proxy form and mail it promptly if you do not plan to attend in person.

By order of the Board of Directors

Derrol R. Johnson

President

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Price Waterhouse & Co.

Fifty West Broad Street
Columbus 15, Ohio
January 17, 1956

To the Board of Directors of
BancOhio Corporation

We have examined the 1955 financial statements of BancOhio Corporation (parent company only). Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, but we did not examine the financial statements of the subsidiary banks. However, we reviewed the copies of the state and national bank examiners' 1955 reports presented to us; the reports indicated that all subsidiary banks were examined during 1955 by such examiners.

The investments in subsidiary banks are stated on the basis of the parent company's equity in the net assets of the banks as shown by their December 31, 1955 financial statements; the net increase in the investment account, resulting from such basis, is included in surplus. The financial statements of the banks were certified by responsible bank officials to be copies of the statements filed with either the Comptroller of the Currency or The Division of Banks of the State of Ohio.

Based on our examination described above, and with the explanation in the preceding paragraph as to the basis for stating the investments in the subsidiary banks, it is our opinion that the accompanying balance sheet and statements of income and surplus of the parent company—BancOhio Corporation—present fairly its position at December 31, 1955 and the results of its operations for 1955, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

BANCOHIO CORPORATION

(Parent company only)

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1955

Income:

Dividends from subsidiary banks	\$ 1,379,883
Other income (\$75,906 interest)	78,656
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	\$ 1,458,539

Expenses:

Salaries, sundry taxes, and other operating expenses	\$ 525,071
Less — Service charges to subsidiary banks	470,800
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Federal income taxes 1955 — estimated	\$ 1,404,268
	122,000
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	\$ 1,282,268

Adjustments for prior years:

Credit from elimination of valuation allowance for receivable liquidated in 1955	\$ 85,000
Charge for additional federal income taxes	5,130
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Net income, carried to surplus

\$ 1,362,138

STATEMENT OF SURPLUS
YEAR ENDED DECEMBER 31, 1955

Balance at December 31, 1954

\$16,507,269

Increase in 1955 in net assets of subsidiary

banks represented by:

Undistributed net operating income — after provisions for possible future bad debts and loan losses

\$1,702,148

Net losses on security sales (after taxes)

\$ 619,292

Less certain net losses on sales of U. S. Treasury securities charged to reserve appropriated in 1954

557,675

\$ 61,617

Net income in 1955 per above statement of income

\$1,640,531

1,362,138

3,002,669

Adjustments (net) arising from changes in minority interests in subsidiary banks

433

Cash dividends paid — \$1.65 a share

\$19,510,371

1,252,944

Balance at December 31, 1955 (see note to balance sheet)

\$18,257,427

THE BANCOHIO BANKS

SUMMARY OF COMBINED TOTAL NET ASSETS AT DECEMBER 31, 1955

Assets:

Cash and due from banks (including \$5,073,791 due from affiliated bank)	\$139,491,413
Securities — at amortized cost:	
U. S. Treasury securities	\$234,746,968
State and municipal bonds	59,611,288
Other bonds and securities	1,166,442
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\$295,524,698	
Less balance of reserve appropriated from 1954 security profits	1,016,491
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Stock in Federal Reserve Bank	294,508,207
Loans (less \$3,217,209 reserves)	767,250
Banking premises and equipment	165,628,399
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	5,974,664
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	\$606,369,933
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Liabilities:

Demand deposits (including \$2,748,954 deposits of BancOhio Banks and BancOhio Corporation)	\$414,544,980
Time deposits	153,408,928
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Interest, taxes, etc.	567,953,908
Unearned income	2,660,171
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	3,213,770
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	\$573,827,849
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Combined total net assets	\$ 32,542,084
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SUMMARY OF CHANGES IN COMBINED TOTAL NET ASSETS DURING 1955

Combined total net assets at December 31, 1954	\$ 30,689,762
Contributions by BancOhio Corporation to capital of banks	185,000
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Net income for 1955:	\$ 30,874,762

Net operating income — after provisions for possible future bad debts and loan losses	\$ 3,140,845
Net losses on security sales (after taxes)	\$ 626,805
Less certain net losses on sales of U. S. Treasury securities charged to reserve appropriated in 1954	564,282
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	\$ 62,523 3,078,322
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Cash dividends paid (\$1,379,883 to BancOhio Corporation)	\$ 33,953,084
	1,411,000
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Combined total net assets at December 31, 1955	\$ 32,542,084
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THE BANCOHIO BANKS

DEPOSITS, CAPITAL AND SURPLUS, UNDIVIDED PROFITS AND CONTINGENT RESERVES—COMBINED—AT DECEMBER 31, 1955

	Total Deposits	Capital and Surplus	Undivided Profits and Contingent Reserves	Net Assets
OHIO NATIONAL BANK OF	\$354,557,565	\$15,000,000	\$2,859,228	\$17,859,228
FIRST NATIONAL BANK OF	7,194,327	400,000	59,473	459,473
FIRST NATIONAL BANK OF	16,758,299	900,000	177,196	1,077,196
SECOND NATIONAL BANK OF	3,289,029	250,000	100,939	350,939
FIRST NATIONAL BANK OF	14,181,980	800,000	241,775	1,041,775
FIRST NATIONAL BANK OF	11,682,387	500,000	216,793	716,793
HOCKING VALLEY NATIONAL BANK OF	11,844,570	500,000	141,822	641,822
FARMERS & MERCHANTS BANK OF	7,342,032	350,000	124,546	474,546
FIRST NATIONAL BANK OF	6,145,704	325,000	153,402	478,402
FIRST NATIONAL BANK OF	6,415,718	275,000	111,722	386,722
KNOX COUNTY SAVINGS BANK	8,460,750	550,000	216,756	766,756
FIRST NATIONAL BANK OF	19,638,346	1,200,000	271,647	1,471,647
PERRY COUNTY BANK	2,522,310	150,000	29,733	179,733
THE NATIONAL BANK OF	11,959,069	650,000	177,732	827,732
FIRST NATIONAL BANK OF	32,178,999	2,000,000	292,189	2,292,189
FIRST NATIONAL BANK OF	7,498,519	400,000	175,596	575,596
FIRST NATIONAL BANK OF	7,721,811	325,000	114,150	439,150
OHIO STATE BANK	7,426,030	320,000	85,186	405,186
FIRST NATIONAL BANK OF	5,487,077	300,000	147,194	447,194
WORTHINGTON SAVINGS BANK	8,293,998	410,000	84,557	494,557
CITIZENS NATIONAL BANK IN	17,355,388	900,000	255,448	1,155,448
COMBINED TOTALS	\$567,953,908	\$26,505,000	\$6,037,084	\$32,542,084
Less — Minority interests		538,018	237,525	775,543
BANCOHIO CORPORATION EQUITY				
	\$25,966,982	<u>\$5,799,559</u>	<u>\$31,766,541</u>	

BANCOHIO CORPORATION

(Parent company only)

(An Ohio corporation — Incorporated in 1929)

BALANCE SHEET DECEMBER 31, 1955

ASSETS

Deposits in banks (\$119,490 in subsidiary bank)	\$ 172,403
U. S. Government securities, at cost (approximate market \$1,192,000)	1,214,454
Notes receivable (including \$306,728 from directors of subsidiary banks)	481,728
Investments in shares of subsidiary banks (acquired for BancOhio capital stock and cash) stated on basis of equity in net assets of the banks at December 31, 1955	31,766,541
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	\$33,635,126
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LIABILITIES

Federal income taxes and other liabilities—estimated	\$ 190,240
Capital stock — \$20.00 par value:	
Authorized — 1,000,000 shares	
Issued — 759,378.049 shares (less 3.94 shares in treasury at cost)	15,187,459
Surplus (see note below) per statement attached	18,257,427
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	\$33,635,126
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Note:

Accepting December 31, 1934 as a starting point, the total surplus account would be segregated as follows:

Capital surplus (net) \$ 1,874,055

Surplus from increase in equity in net assets of the subsidiary
banks — since December 31, 1934 14,204,208

Earned surplus — since December 31, 1934 2,179,164

\$18,257,427
